



MISSOULA OFFICE OF THE MAYOR

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SENATE TAXATION

EXHIBIT NO. 1

DATE 4.17.09

BILL NO. SR 36

April 16, 2009

Montana Senate Taxation Committee
Senator Jeff Essman, Chairman
PO Box 200400
Helena, MT 59620-0400

Sent via email and FAX to (406) 444-4875

Dear Senator Essman and Members of the Committee:

I'm writing to express my support for the confirmation of Montana Department of Revenue Director Dan Bucks. In my experience, Director Bucks has been responsive to local government, thoughtful about policy issues and fair to all parties with whom he deals.

An example: Last year, as the City of Missoula and other Montana cities struggled with dramatic shifts in our taxable values, Director Bucks worked closely with my city and others, as well as the League of Cities & Towns, to help us understand changes in the economy and accounting that produced these shifts. Further, he and his staff worked to mitigate those shifts as we wrestled with carefully balanced municipal budgets.

That said, Bucks is no pushover. He delivers bad news with appropriate candor and has wrangled with my colleagues and bond counsel over tax-increment issues. He's also very good at chasing down taxes that are owed to the people of Montana. But, as I mentioned, he's always fair and responsive, which I suspect are two of the key qualities you'd want in a state revenue director.

I hope you'll vote to confirm Dan Bucks as Montana's director of the Department of Revenue. He's earned my support and trust. I'd respectfully suggest that he's earned yours, too.

Sincerely,

John Engen
Mayor

cc: Dan Bucks
The Honorable Brian Schweitzer
Alec Hansen



Oregon

Theodore R. Kulongoski, Governor

Department of Revenue
955 Center St NE
Salem OR 97301-2555

April 16, 2009

The Honorable Jess Essmann, Chair
Senate Committee on Taxation
Montana State Legislature
Helena, Montana

Dear Senator Essmann and Members of the Committee,

I write in support of your confirmation of Dan Bucks as Director of the Montana Department of Revenue. I have worked with Mr. Bucks for over 20 years, both in his capacity as Director in Montana, and in his previous work with the Multistate Tax Commission.

Dan Bucks has been a tireless advocate for consistency and fairness in the administration of state taxes. He has also worked very hard to bring the business community and the states together to develop solutions to some of the challenging issues that have arisen from changes in our economy and the way in which business is carried on in our country.

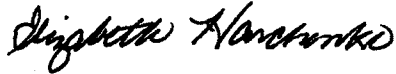
I would like to give you one example of the results of his efforts. In the late 1990s, the telecommunications industry was going through the revolution of wireless telephony. Telephone customers were no longer tethered to a land-based telephone system. They had begun to use wireless telephones everywhere, and identifying the geographic source or destination of a call became impossible. Most states imposed taxes on long distance calls initiated from within their boundaries. The national telecommunications companies were very concerned that they would end up collecting taxes incorrectly, and that they would be liable to their customers for errors. Mr. Bucks, who was then serving as Executive Director of the Multistate Tax Commission, brought the industry and states together to develop a solution. The result, which was supported by all involved, was enacted by the Congress as the Mobile Telecommunications Sourcing Act of 2000.

In his capacity as Director, Mr. Bucks has continued to encourage collaboration and cooperation in addressing the challenges of state tax administration and compliance. He has supported regional efforts to streamline the audit process so that the process is both straightforward and efficient for the states and taxpayers.

The Honorable Jess Essmann
April 16, 2009
Page 2

I encourage you to give favorable consideration to his re-appointment. I look forward to working with Mr. Bucks in the years to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Harchenko". The script is cursive and fluid.

Elizabeth Harchenko, Director
Oregon Department of Revenue

C: Deborah Polhemus, Committee Secretary



State of Utah

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

Utah State Tax Commission

PAM HENDRICKSON
Commission Chair

R. BRUCE JOHNSON
Commissioner

MARC B. JOHNSON
Commissioner

D'ARCY DIXON PIGNANELLI
Commissioner

RODNEY G. MARRELLI
Executive Director

April 16, 2009

Honorable Jeff Essmann
Chair
Senate Committee on Taxation
State of Montana

Re: Confirmation of Dan Bucks

Dear Senator Essmann:

I understand that Dan Bucks has been nominated for reappointment as Chair of the Montana Department of Revenue and that his nomination will be considered in your Committee. I would like to express my strong and unqualified support for Dan's reappointment.

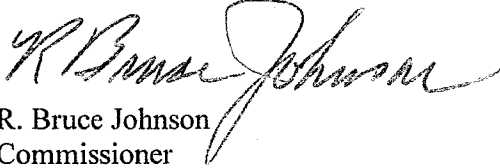
I have been a Commissioner on the Utah State Tax Commission for over ten years. During that time I have worked very closely with Dan on a number of multistate tax issues. Dan was Executive Director of the Multistate Tax Commission during my two terms as Chair of that organization. He worked tirelessly to promote simplification and uniformity in state tax laws for multistate taxpayers, while recognizing the overriding principle of state sovereignty. He was also vigilant in ensuring that all taxpayers comply with their obligations, as determined by the legislatures of the various states. Prior to my appointment to the Utah Tax Commission, I practiced law for 17 years representing primarily large taxpayers with multistate activities (including some who had oil and gas interests in Montana). As such, I was keenly aware of the compliance challenges faced by many of our taxpayers and I appreciated Dan's efforts to promote simplification and uniformity.

My contact with Dan has continued since his appointment to the Montana Department of Revenue. He still vigorously promotes the cause of state sovereignty. He has worked diligently to ensure that out-of-state and multistate taxpayers pay their fair share of tax to Montana. I know that Dan appreciates and understands the burdens our tax systems put on many of our taxpayers. I know that his primary motivation is to ensure that the tax burden is fairly distributed among those taxpayers in accordance with the laws the Montana legislature has enacted.

Dan is energetic and devoted. He will aggressively pursue the best interests of the citizens of Montana, as he perceives them. As such, he will attract controversy. I am

confident, however, that the citizens of Montana will be well-served by his reappointment. I am confident that other Western states will continue to benefit by his efforts, if he is confirmed. I am confident that the vast majority of taxpayers in all of our states, who are doing the best they can to comply with complex tax laws and burdensome compliance obligations, ultimately benefit from the vigorous and even-handed enforcement of our tax laws. Dan is committed to such vigorous and fair enforcement. I urge you and your committee to carefully consider and then support of his nomination.

Respectfully submitted,

A handwritten signature in cursive script, reading "R. Bruce Johnson". The signature is written in dark ink and is positioned above the printed name and title.

R. Bruce Johnson
Commissioner

ECONOMICS & POLICY

Public Debts, Hired Guns

Strapped cities and states are retaining private debt collectors—but that may not be cost-effective

By Jessica Silver-Greenberg
and Peter Carbonara

States and cities are desperate for cash—so desperate they're turning to private debt collectors to go after delinquent taxpayers and other scoff-laws. The thinking is that it's cheaper to outsource the task of collecting unpaid utility bills, library fines, and the like to independent contractors than to hire more public employees.

Turns out the opposite may be true.

That, anyway, was the conclusion of the IRS, which on Mar. 6 ended a four-year, \$80 billion program to chase down tax deadbeats. "After a thorough review of the program, I have decided not to renew the contracts," says IRS Commissioner Douglas H. Shulman, who plans to hire more than 1,000 tax collectors at the agency. "I believe this work is best done by IRS employees." Recent IRS studies have found that the program recouped far less than the

IRS could have collected on its own.

It gets worse. Not only are private debt collectors less effective than public ones, but a number of companies benefiting from the privatization trend have been slammed by regulators and prosecutors for overcharging municipalities, bribing public officials, and other predatory behavior. Some municipalities have stopped outsourcing their debt collection efforts altogether.

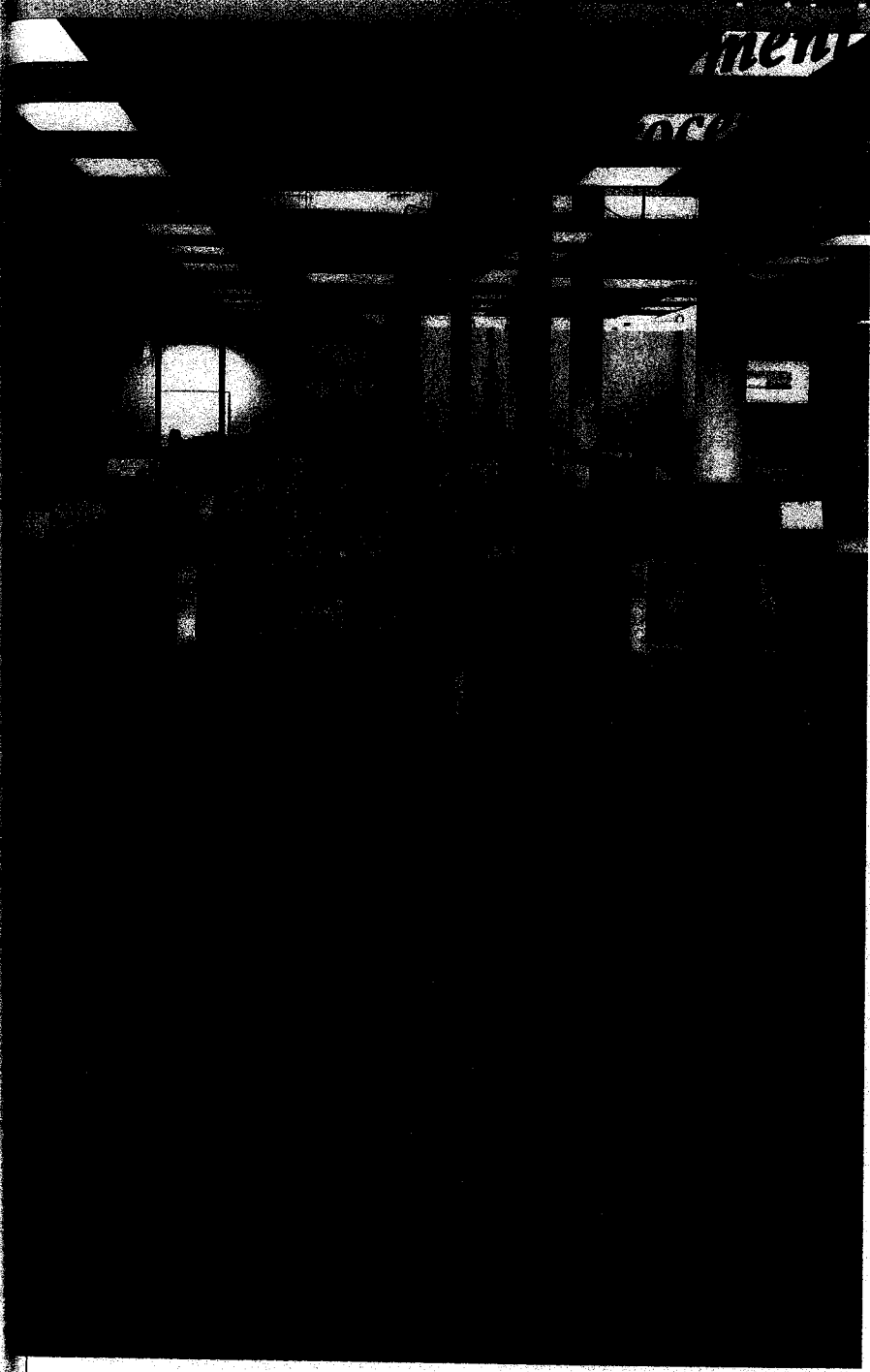
Private players defend their practices, arguing that they pursue debts that municipalities don't have the resources or skills to recover. "The entities wouldn't get that money otherwise," says Bruce Cummings, president of Municipal Services Bureau, a large debt collector in Austin, Tex., that recently won a contract with the government of Hamilton, Ohio. "The industry provides a worthwhile service."

That argument continues to hold sway for many states and cities suffering from declining tax receipts and a deep economic downturn. Consider tiny Bluff City, Tenn. To help fill its depleted coffers, the town of 1,500 near the Virginia border is farming out its collection work to private contractors. Officials figure that the city is owed \$50,000 in back taxes and unpaid speeding tickets—real money in a municipality with an annual budget of

Montana revenue director Bucks quadrupled cost efficiency by going in-house

\$1 million. "We're fighting a very tight budget," says Todd Malone, Bluff





government's decision follows research done by the IRS taxpayer advocate, Nina E. Olson. She found that two firms, CBE Group in Waterloo, Iowa, and Pioneer Credit Recovery in Arcade, N.Y., collected \$37 million last year on behalf of the IRS, pocketing \$7.5 million in fees and commissions. Olson calculates that if the IRS had used that same \$7.5 million to retrain existing staff, the agency would have collected \$250 million. "You really do get much more money for spending \$1 on a federal employee than you do paying a \$1 commission to a private collection firm," says Olson.

THE UPPER HAND

The IRS and other public agencies have a major advantage in their collection efforts. Unlike private players, federal and municipal employees can impose liens or garnishee wages to recoup unpaid debts. Private debt collectors, in contrast, rely mainly on their powers of persuasion to get consumers to pay up.

The companies cited by the IRS dispute claims of inefficiency. Randall Kamm, vice-president for government services at CBE Group, says the program never operated at its full capacity. "The program was designed for 10 vendors [not two]," says Kamm. "It never had a chance to work properly." Pioneer didn't return calls for comment.

Some municipalities have seen inefficiencies as well. Montana's revenue director, Dan Bucks, decided to cancel the state's tax collection contract with Houston's GC Services in 2005 after a wave of taxpayer complaints about the firm. Bucks then plowed funds into the state's collection efforts. Montana's revenue department collects \$21.08 for every \$1 spent on salaries and expenses. GC Services' record: \$5.01 collected for every \$1 of cost. "Complaints have gone way down and cost-effectiveness way up," says Bucks. GC Services—which recently won a piece of an estimated \$1 billion contract to handle debt collection efforts for the state of Missouri—didn't return calls or e-

Cummings of
Municipal
Services says
collectors recoup
money cities can't

City's mayor. All told, some \$24 billion of uncollected municipal debt is up for grabs nationwide, according to mygovwatch.com, which tracks government contracts. That's up from \$16 billion a few years ago.

Debt collectors are also angling to cash in on the U.S. Treasury's "bad bank" proposal to buy mortgages, credit-card debt, auto loans, and other distressed assets. An investing consortium has offered a plan to purchase portfolios of toxic debt. If they

have their way, debt collectors would help work out the underlying loans, tracking down delinquent borrowers and ultimately sharing in the profits. The debt collection industry feasted on similar government work after the savings and loan crisis of the late 1980s. "This is a real growth area," says Mike Ginsberg, president of industry researcher Kaulkin Ginsberg.

The privatization boom, oddly enough, comes just as the IRS is re-treating from private collectors. The

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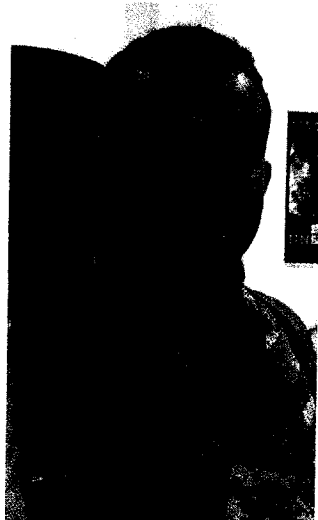
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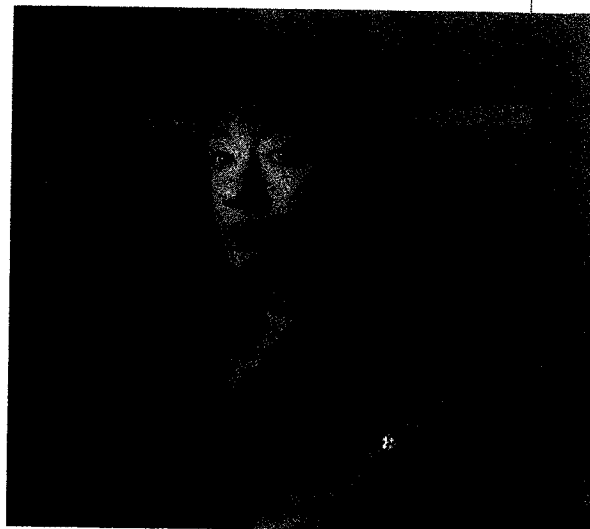
Air Force Captain Iraheta says his family was harassed by a debt collector

mails for comment. Accusations of predatory behavior are proliferating, too. Private debt collec-

tors in New Jersey "padded the bill," according to state investigators. In 2005, New Jersey officials discovered that Outsourcing Solutions (OSI) in Horsham, Pa., which had been hired to collect \$1 billion in back taxes, had "lavished...gifts and entertainment," including \$65,000 worth of liquor, meals, customized golf balls, gourmet chocolates, and imported cigars, on high-level officials in the state's revenue department. Those officials, says New Jersey's Commission of Investigation, then "turned a blind eye" as OSI overcharged the state government by around \$1 million. "Other states are just as vulnerable to the same kind of abuse," says Lee Seglum, who headed up the state's investigation.

New Jersey fined OSI \$2 million in 2007 and banned the company from new government contracts for five years. The state's attorney general recently brought criminal charges against three former OSI executives involved in the matter. Three former state officials have also been indicted. Meanwhile, OSI and its new parent, NCO Group, are still busy collecting back taxes and other government debt in 35 states. OSI didn't return phone calls or e-mails seeking comment.

Some firms have had numerous run-ins with regulators. Take San Antonio



law firm Linebarger, Goggan, Blair & Sampson. In 2005 one of its partners pleaded guilty to bribing a San Antonio councilman to win the city's tax collection contract. Linebarger lost another contract with Mansfield, Tex., in 2006 after an employee made a controversial campaign donation to the town's mayor after his election.

Linebarger maintains that the firm provides an important service to municipalities, especially in a recession. "The current state of the global economy has certainly caused many [local officials] to take a second look at the valuable assistance we can provide

Business Exchange

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Reining in Abuses

In a February 2009 report, the Federal Trade Commission urges lawmakers to reform and modernize the rules governing the debt collection industry. The commission proposes banning debt collectors from contacting consumers via cell phone or text message without their permission. It also recommends that companies get consumers' authorization before accessing their account records.

To read the full report, go to <http://bx.businessweek.com/debt-collectors/reference/>



Olson of
the IRS:
Outsourcing
tax collection
didn't add up

to them and their constituents," says Joe Householder, a spokesman for Linebarger.

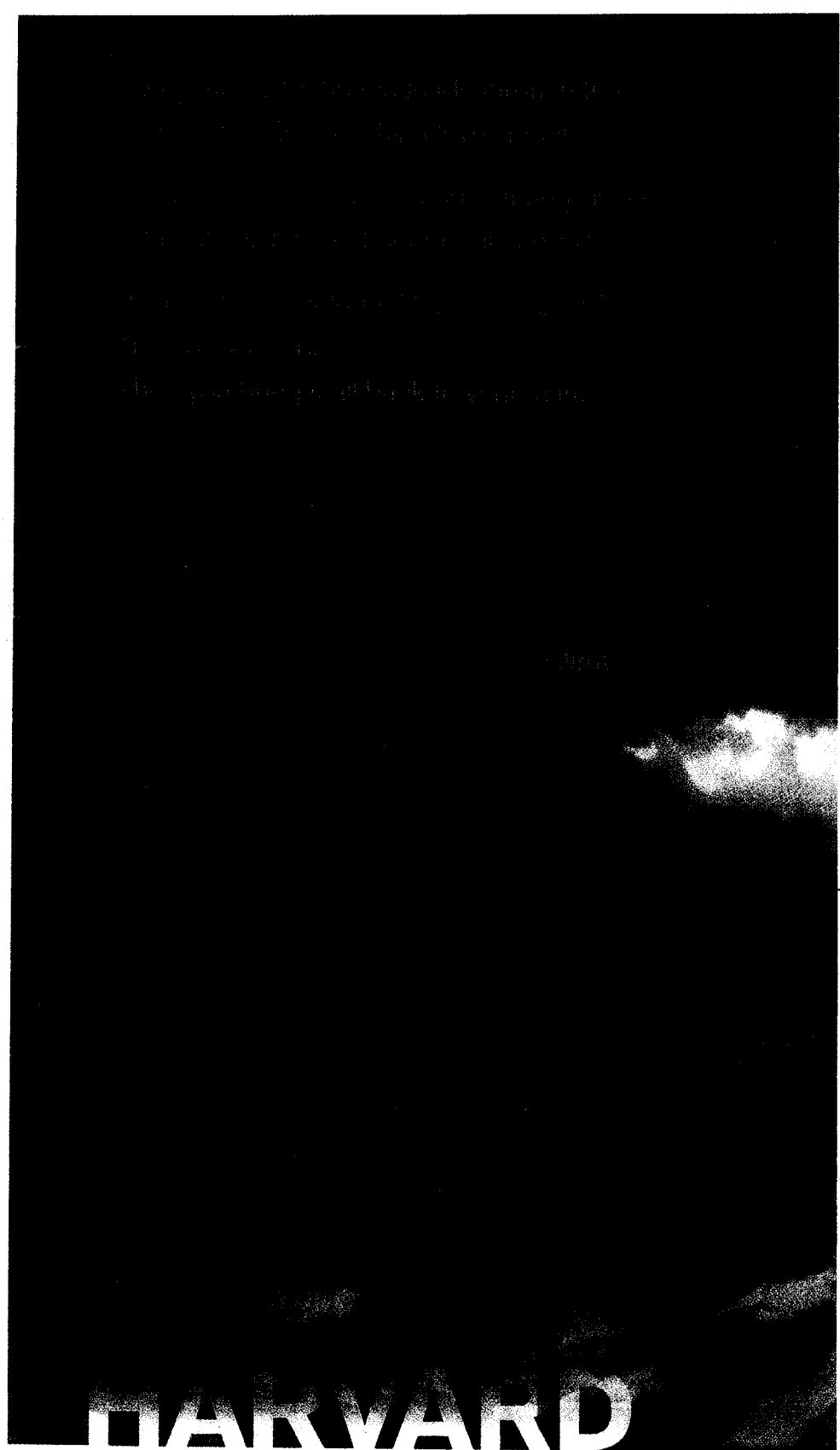
Chicago officials either overlooked or weren't aware of Linebarger's previous infractions—even in their own city—before inking a fresh deal with the firm. In early 2008 Linebarger forfeited a contract to collect overdue parking tickets after an investigation by Chicago Inspector General David Hoffman found that the firm had paid for an out-of-state

trip by a top government employee. Yet in November Linebarger, which had earned \$33 million in fees on the previous Chicago contract, landed another collection deal with the city worth \$3.4 million. Linebarger says the firm has provided additional training to its Chicago employees, and the attorney admonished in the previous matter doesn't work on the new municipal contract.

UNSAVORY TACTICS

The growing prominence of private debt collectors only adds to critics' concerns about the industry, long known for its hard-nosed tactics with consumers. U.S. Air Force Captain Jose Iraheta, who is currently serving his second tour of duty in the Middle East, says Linebarger harassed his family over \$7,000 in back property taxes on his Victorian-style home. Under Texas law, active armed services members can defer property taxes until they complete their overseas tours.

Nonetheless, says Iraheta, Linebarger sued and threatened to foreclose on the house—even though it had no legal authority to do so. Iraheta says he had to call for months from the Middle East via satellite phone before the firm agreed to drop the matter in June 2007. Iraheta is now suing Linebarger for damages and legal fees. Linebarger wouldn't comment on individual cases. Says Iraheta: "I have only a few rights, yet Linebarger tried to take those from me." | BWI



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